

GENERAL FUND EXPENDITURE AND REVENUE FORECAST ASSUMPTIONS FISCAL YEARS 2012-2013 THROUGH 2016-2017

The primary purpose of this forecast is to present a prospective view of the City's General Fund revenue and expenditure levels during the next five years. It is important to note that as assumptions are replaced by reality in future years, the forecast will fluctuate. As such, this forecast should be used as a management and planning tool and amended annually. It is also important to note that the Court of Common Council is mandated by Charter to adopt a balanced budget. Therefore, any projections indicating a budget deficit will require adjustments before budget adoption. These adjustments will range from reducing expenditures to raising revenues or a combination of both.

Assumptions for Revenue Projections

The General Fund revenue forecast highlights the anticipated revenue trend and outlook for the City of Hartford during a challenging economic time. Federal, state, and local governments are facing adverse economic conditions that have not been encountered in several generations. These challenges will place an economic burden on all sectors of the economy; governments, that provide services to the public, will be stressed to maintain critical services. The property tax base, which is the revenue source that picks-up the shortfall from other underperforming revenue sources, will be strained during a time of economic downturn. The City will be challenged to develop alternative revenue sources to fill the budgetary gap.

Taxes are a major source of revenue. The tax revenue projection for the fiscal year 2011-2012 budget reflects a half mill rate decrease. The increase in the current year tax levy is attributable to the 3.5% phase-in of the grand list and 0.37 in new growth. Future year property tax revenue will hopefully increase with an improvement in the collection rate, coupled with new property development. Significant increases in the mill rate, after the 2012-2013 fiscal year, are not anticipated; although the 2012-2013 budget forecast continues to reflect the downward trend resulting from the current economic conditions.

Licenses and Permits revenues are aligned with the economic state of the City. Accordingly, the short-term outlook for this revenue category is expected to perform below normal expectations.

Fines, Forfeits and Penalties are expected to remain level. This category is relatively small and is not a major source of revenue.

Revenue from the Use of Money and Property decreases are anticipated for fiscal year 2011-2012 due to the reduction in one-time property transactions, coupled with a continued decline in revenue from investing activities. Interest rates are expected to increase with an improving economy and income from development properties is expected to stabilize.

Intergovernmental Revenue is a major source of revenue to the City. With the current downturn in the national, state, and local economies, the State of Connecticut is experiencing financial stress in its budgetary operations. The City relies heavily on state assistance since a significant portion of tax exempt properties are within the Capital City's boundaries. The City does not foresee a short-term improvement of the State's economy or the expectation of any significant increase in state funding.

Charges for Services for fiscal year 2011-2012 will increase with higher fees and additional fees for various City services. No major increases are expected until a general improvement to the economy is realized.

Reimbursements include amounts payable to the City from grant programs for employee fringe benefits, capital project reimbursements for employee services, and miscellaneous reimbursements from risk management activities. There are no anticipated major changes projected for this revenue category.

Other Revenue includes the sale of development properties and other miscellaneous revenues. The sale of City property will decrease in fiscal year 2011-2012 and subsequent years are expected to remain relatively flat since there are no major properties that are expected to be sold.

Fund Balance is expected to remain constant or grow incrementally over the next several years to meet our stated goal to maintain a 7.5% fund balance of the total City Budget . There are no plans to draw upon fund balance to meet expenditure activity. The City recognizes that the planned use, or the use based upon unfavorable results of budgetary operations, will adversely affect the ability to effectively access the bond market; and impact the interest cost of bond and note issuance.

Assumptions for Expenditure Projections

Municipal

Operating Expense: Operating Departments show a 0.4% decrease for FY 11-12 expenditures compared to FY 10-11. Public Safety will decrease 2.3%, primarily due to the reduction of personnel and non-personnel expenditures, offset by contractual increase in the Fire Department. In future years operating departments are projected to increase approximately 3.0% as a result of cost of living increases and minimal non-personnel expense increases.

Benefits and Insurances: In FY 11-12 benefits and insurances will increase 6.4% and in future years it is expected that this category will increase 12.7% on average based on the experience of previous years' employee medical claims, employer pension costs, an increase in property and casualty insurance account and an adjustment to the cash out account in anticipation of employee cash outs upon retirement. Incorporated within this projection is an annual contribution to the internal service funds associated with claims related to employee benefits, workers compensation and property and casualty insurance.

Debt Service: Debt Service is projected to be 6.6% of the total General Fund expense in Fiscal Year 2011-2012 and debt is forecasted to remain stable in future years.

Non-Operating Department Expenses: In FY 11-12 these expenses are projected to decrease by 5.1% compared to FY 10-11. It is expected that these expenses will increase in FY 12-13 by approximately 3.3% based primarily on projected increases utilities and offset by decreases in lease payments. Incorporated within this projection are payments to community activities, payments to government agencies, payments to outside agencies, lease payments, client server technology, fuel, utility, tipping fees, special events, legal expense and settlements.

Education: Education decreased \$2,438,358 in FY 11-12 due to State of Connecticut Transportation and Health pass through grant estimates while the Education Cost Sharing grant estimate remained at the previous year level. Education is projected to increase by 3.0% in the remaining years.

Library: For the 2010-2011 Fiscal Year this category remains on-line. For the remainder of this forecast, we project increases of 2.0%.

Total Gap Between Revenues and Expenditures



